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## Strategic dilemmas for trade unions in transformation: the experience of Serbia

A place where there isn't any trouble. Do you suppose there is such a place Toto? There must be. It's not a place you can get to by a boat or a train. It's far, far away. Behind the moon, beyond the rain. (Dorothy in the *Wizard of Oz*, 1939)

### Introduction

Studies of trade unions in transformation economies have highlighted considerable problems and challenges for trade union revival. In the majority of cases in the countries of central and east Europe, trade union membership and density has fallen in the transformation period. Unions have fragmented politically, often dividing between those unions with a legacy as 'official' unions from the past and those which have emerged as newly independent. Where union membership has held up it has more often than not been in the public sector or remaining state owned industries. Membership in greenfield sites and in many newly-privatised enterprises has been absent or difficult to sustain. Such problems are common to western-based unions as well, but in central and eastern Europe an added problem has been claimed by some to include a negative ideological legacy from the past, as unions have been associated with failed Communism. Unions, too, have been accused of continuing a practice of allying themselves with employers or the state rather than developing independence and mobilisation on an adversarial, or 'them and us', basis.

This paper attempts to relate the central and east European experience to trade unions in Serbia. Particular reference is made to the emerging identities of the different Serbian trade union federations, and the problems and challenges for unions are placed within the framework of structure and agency by referring both to structural constraints within the economy and ideological barriers to union growth. Preliminary research data have been gathered from union documents, interviews with union officials and from an indicative survey of union activists and managers.

### Structure and agency in a hostile environment

Debate and discourse on trade union renewal and revival has generally been focused on western-based unions in advanced industrial societies. Frege and Kelly (2003), for example, identify six strategies pertinent to the debates on union revitalisation in such economies. These six strategies (organising; organisational restructuring; coalition building; partnership with employers; political action; and international links) are offered as choices to unions and have resonance within a relatively stable social democratic tradition where unions have developed critical mass and social legitimacy (albeit now under attack).

For unions in transformation economies, the strategic choices may be less apparent. Clarke (2005) suggests that it is difficult to conceptualise the developmental strategies of trade unions within frameworks generally applied to social democratic forms in western Europe. Civil society is only just re-emerging from a Communist past and social democratic institutions supportive of unions and collective bargaining are embryonic or absent as the neo-liberal imperative dominates discourse and practice.

Studies of trade union strategy in transformation economies of central and eastern Europe have consequently highlighted the extreme challenges that unions face in an overtly hostile environment. This hostile environment is framed by a commonality of falling production levels and rising unemployment as industrial restructuring has taken place (Rainnie *et al.*, 2002). New production regimes have tended to emphasise low-cost production techniques while the wider economy has been typified by struggling consumer demand, rising inequality of earnings and income, and an increase in informal working and economic insecurity. This particular chemistry has led Bohle and Greskovits (2004) to argue that unions are structurally disadvantaged within eastern transformation economies when compared to their west European counterparts. West European trade unions, they argue, benefited from more favourable circumstances in the post-World War epoch: labour was a significant factor of production within a mass production economy and relatively high workers' aggregate wages enabled them to act as consumers of goods and services as well as producers. The result was the creation of supportive institutional structures for the development of collective bargaining and union legitimacy at the workplace level.

However, rather than concentrate on structural explanations, Ost and Crowley (2002) have focused on the negative legacy of Communism as a major factor in explaining labour quiescence and labour 'weakness' in transformation economies. Such a thesis places more emphasis on ideological or superstructural, explanatory factors, and emphasises the importance of agency in shaping union futures. Frege (2002) also rejects the over-riding importance of economic constraint as a determinant of union ill-health, arguing instead that problems for unions are caused by unions' lack of willingness to mobilise against the employer and members' insufficient commitment to their union. Following Kelly (1997), she utilises mobilisation theory as an argument for increasing union effectiveness.

The interplay and relative importance of both structure and agency factors are clearly important variables to understand in assessing the strategic options for unions. In real terms, however, both structure and agency are likely to interact and interplay so that each conditions and constrains the other. In other words, institutions may both constrain and enable the actions and projects of interest groups and actors within civil society (Giddens, 1986; Callinicos, 1987). Unions thus have strategic choices for action and identity which may make a difference to their fortunes. However, for trade unions in transformation economies, a number of dilemmas are apparent in framing their strategies. For example, on the one hand unions have tended to favour privatisation as an exit strategy from the ossification and indebtedness of former state owned industries. On the other hand the interests of labour have suffered from the effects of privatisation and unions have had to become prime defenders of social safety nets, pensions provision and welfare services. In practical terms, the weak structural position of unions has meant they have found it difficult to engage in processes of social dialogue, to establish societal legitimacy or to establish bargaining power with employers or governments.

In essence, the unions may have some associative power (membership density is similar to and certainly no less than many western European countries), but their power is severely constrained by low structural power. Membership is concentrated almost entirely in the public sector and remaining state-owned enterprises (Pollert, 2000; Martin and Cristescu-Martin, 2004) and incoming multinational corporations are free to operate without union restraint. Winterton (2004) points to a number of

cases in central and eastern Europe where employers have taken an anti-union position without worry or fear of recrimination from the state. A product of this particular dilemma is that the accession of eastern states to the EU, rather than encouraging momentum towards EU social dialogue and economic equality, may instead have acted to re-enforce inequalities and to dilute the processes of social dialogue.

We list the evidence for structure and agency factors in Table 1 below.

**Table 1 – Structure and agency constraints on trade unions in transformation**

Structural Factors	
<b>State economic strategy</b>	Neo-liberal orthodoxy pursued as state strategy has been invoked in an effort to clear out 'rigidities' in the new market economies. In its 'shock therapy' version, this has often meant an early collapse of many market-inefficient organisations within the productive sector, and an emphasis on privatisation and labour market de-regulation. This has placed unions in a very defensive position, arguing primarily for privatisation but with the retention of social safety nets.
<b>International financial institution conditionality</b>	Weak internal capital accumulation has entailed the enlisted support of international financial institutions (IMF, World Bank, EBRD, USAID, etc.) in granting loans and grants. The attached 'conditionality' reinforces market imperatives and negatively affects social welfare payments. Gowan refers to the 'Faustian' nature of the international financial institutions in re-casting economic and social priorities, while Gradev has labelled the IFIs as a 'fourth actor' in terms of their ability to shape and reform employment relations regimes in transformation states (Gowan, 1995; Gradev, 2001). Upchurch (2006) refers in particular to the 'positive asymmetric power' of the international financial institutions, under whose influence the interests of organised labour have been effectively excluded from the transformation process.
<b>Labour as 'weak' factor of production and consumption</b>	Bohle and Greskovits (2004) suggest that organised labour is disadvantaged in transformation economies due to the predominance of the low-cost manufacturing imperative and workers' lack of consumer power due to low aggregate wages.
Agency Factors	
<b>Ideological fragmentation of unions</b>	Trade unions have fragmented ideologically and politically under post-Communism, with the main division emerging between the old 'official' unions and newly-independent unions (Smith and Thompson, 1992; Thirkell <i>et al.</i> , 1998; Pollert, 1999). This has added to union weakness both in industrial and in political ways. Industrially, unions have not been able to present a united front to employers while, politically, they may align themselves with different and sometimes opposing political factions and parties.
<b>Legacy of Communist past</b>	Trade unions have been claimed to suffer from societal 'weakness' due to negative legacy from the past, whereby popular trust in unions is constrained by their association with the old Communist regimes (Ost and Crowley, 2001). It is also recognised, however, that mistrust is apparent with other civil society organisations (Howard, 2003), and leads to problems of (re-)creating effective 'civil society'. Frege (2002) suggests that unions have sought alliances with employers (as they did under Communism) rather than develop autonomy and independence.

Given the transformation of the former Yugoslavia since the end of the civil wars, it is possible to test these structural and agency variables and assess union strategic response.

### **The former Yugoslavia**

The states of central and eastern Europe have accumulated almost sixteen years of experience, whereas the new states of the former Yugoslavia have been relative newcomers to the stage.<sup>1</sup> The country is, in many ways, a special case within the transformation story, having opened up the economy in the late 1960s under the Tito regime to foreign direct investment, only for transformation to be stalled in the 1980s and the ensuing period of civil war. Self-management was a particularised form of enterprise governance which may also have left a footprint for future developments in industrial relations (Arandarenko and Stojiljkovic, 2006). Within the former Yugoslavia, the experience of Serbia has been the most dramatic, as it was additionally affected by UN sanctions, NATO bombing and, finally, the revolution of 5 October 2000.

The Yugoslav economy slid into a debt crisis in the 1980s, a major factor in creating political factionalism within the federation, leading eventually to nationalist-based secessionism and civil war. The resultant turmoil left a host of difficulties for the establishment of regional stability or forms of social dialogue based on liberal democratic values (Woodward, 2001). To add grist to the mill, the wastefulness of the wars, together with the UN sanctions and NATO bombardment, left the Serbian rump of the former federation in an extremely precarious economic position. For example, GDP per capita in Serbia fell from \$2 696 in 1990 to \$1 965 in 1999,<sup>2</sup> while the 'grey economy' as a proportion of GDP increased to as much as 53.4 per cent in 1994.<sup>3</sup> The collapse of the former Republic also destroyed the internal 'common market', thus increasing dependence on more expensive (mostly western) imports. Prospects for 'successful' transformation are, consequently, more dependent on foreign aid and investment than is the case in most central and eastern Europe comparators, given the difficulties the Serbian economy may have had in creating internally-led capital accumulation. The economic indicators given in Table 2 illustrate the problems.

- 1 The nomenclature proves complicated. Prior to the civil wars of the 1990s, the state was known as the Socialist Federal Republic of Yugoslavia (SFRY). After the secession of Croatia, Slovenia, BiH and Macedonia, the rump state renamed itself the Federal Republic of Yugoslavia (FRY), which consisted of what is now Serbia, Montenegro and Kosovo. With the uncertain status of Kosovo, a loose confederation of Serbia and Montenegro later replaced FRY. This article refers primarily to the state of Serbia excluding Kosovo and Montenegro but including Vojvodina. Some government statistics are, however, only given for Serbia and Montenegro combined and this is stated where it applies in the article.
- 2 Vienna Institute for International Economic Studies, cited in Nikolić (2002) p. 85. Figures for 1999 do not include Kosovo.
- 3 Economic Institute in Beograd, cited in Nikolić (2004) p. 85.

**Table 2 – Economic indicators for Serbia and Montenegro and selected transformation states**

	Serbia/ Montenegro	Croatia	Romania	Poland	Czech Republic	Slovenia	Bulgaria
GDP per capita (\$, 2003 at exchange rate) (i)	4 555	10 492	6 974	10 854	15 669	19 618	7 274
Gross external debt per capita (2002, Euros) (ii)	1 368	3 334	694	2 120	2 522	5 755	1 373
Gross external debt as % of GDP (2001) (iii)	114	57.9	31.1	39.2	39.1	34.4	78.3
Rate of price infla- tion over previous year (2003) (iv)	16.5	1.7	22.5	1.9	1.8	7.5	5.8
Private consump- tion expenditure per capita (\$, 2004)	2 945	5 337	5 283	6 869	7 998	10 135	4 729
Registered unem- ployment rate (end 2003) (v)	31.2	21.3	8.4	20.0	9.8	11.3	16.3
(i), (iii) UNECE (2005) <i>Statistical Yearbook of the Economic Commission in Europe</i> . (ii), (iv), (v) Vienna Institute for International Economic Studies (2003) <i>Handbook of Statistics</i> .							

The depressed nature of the economy (in both Serbia and Montenegro) is discernible in Table 2, with a combination of relatively high inflation and unemployment and an excessive debt/GDP burden likely to restrict opportunities to seek external credit options. The ability of the state to extract credit from the international financial institutions and indeed to progress down the road to potential EU and NATO accession has been further constrained by political objections to the continued delay in ‘handing-over’ former Serbian military commanders to the Hague Court. Political instability and gangsterism are apparent, as evidenced by the assassination of Prime Minister Zoran Đindjić in 2003, the uncertainty (until 2006) of the future of the confederation of Montenegro and Serbia, and the status of Kosovo. The state has sought to adjust to a market-led economy, as in all cases of transformation, in three ways. First has been the introduction of a programme of privatisation; second has been an attempt to remove labour market ‘rigidities’; and third has been the seeking of foreign aid (both real and human capital) and investment. The consequences of this market adjustment, and its effects on and interplay with labour and society, are reviewed in the next sections.

### Structural constraints

A thorough review of the Serbian privatisation programme has already been provided by Hadžić (2002) and Ristić (2004). Laws to allow privatisation were passed in 1989,

1990 and 1994, which strongly favoured domestic investors and employees through a system of preferential discounts on shares. Not until 1997 did a new law come into force opening up the path for foreign investors to buy up enterprises. The later legislation also restricted insider ownership to existing employees and pensioners of enterprises which created some hostility to privatisation from the excluded sections of the population, as Ristić (2004: 123) argues. Concern was also expressed that managers of previously 'failing' enterprises could remain in charge through their shareholding options, with potential problems of transparency.

The first privatisation law after the October 2000 revolution was enacted in 2001 and enabled the privatisation of all 'socially owned' capital which, in this case, meant the exclusion of state capital in public enterprises. A stipulation that social welfare programmes should be attached to privatisation was included in the legislation. Privatisation in this instance followed the model of tender in order to gain new majority owners, who might be domestic or foreign individuals. With both forms of privatisation, either by insider share ownership or open tender, concerns were raised about the ability of individuals to obtain property at a bargain price through a combination of legal and illegal means.

Serbia ranks 97th out of 146 countries, towards the bottom of the Corruption Perception Index which measures perceptions of public sector corruption by business leaders, academics and other analysts,<sup>4</sup> produced by Transparency International in October 2004. Between 2002 and 2004, over 1 100 enterprises had been sold off, employing over 150 000 employees (Ristić, 2004: 126).

In terms of foreign direct investment, the former Yugoslav federation had opened the doors as early as 1967 under Tito. Externally-sourced investment stalled in the 1990s because of the war and sanctions and, since October 2000, the new Serbian regime has obviously been anxious again to attract foreign direct investment. In 2003, it liberalised the law to allow the transfer of profits out of the country and to provide guarantees against expropriation (or nationalisation). The level of foreign direct investment in 2005 is estimated to be about \$2bn;<sup>5</sup> this is comparable to levels flowing into most central and eastern Europe countries, but is significantly lower when assessed on a per capita basis (Uvalic, 2005).

The USA, after a slow start, has now become the country sourcing the greatest amount of foreign direct investment. Key sales have been steelworks (to *US Steel*), as have been breweries, tobacco manufacturers and petrol stations. The Slovenian enterprise *Mercator* has also brought many retailing establishments and stores. The full privatisation of the Serbian telecommunications network has proved difficult because of problems of infrastructure. Many smaller and medium-sized enterprises in the 'socially-owned' sector have been sold to domestic investors.<sup>6</sup> The large, but troubled, *Zastava* arms and automobile combine (which was heavily bombed by NATO) has linked with the *FIAT* car manufacturer to produce the Fiat Punto in Serbia from 2006. Agreement has also been reached with the US-based *Remington* company to market *Zastava*-made small sports weapons in the US.

4 See: [www.transparency.org](http://www.transparency.org)

5 See: <http://www.invest-in-serbia.com> [accessed 2 November 2006].

6 See: [www.priv.yu](http://www.priv.yu).



After the fall of Milošević, Serbia was quickly integrated into the international financial community and signed agreements with the IMF, the World Bank and the European Bank for Reconstruction and Development (EBRD). According to World Bank estimates, long-term debt has been reduced from 180% of GDP in 2000 to a figure of 44% in 2005. In July 2004, agreement was reached with the 'London Club' of donors to write off outstanding debts of \$2.8bn. Further debts of \$700m were written off in 2006 following the Serbian government's fulfilment of its reform promises to the IMF. However, the price to be paid for such write-offs and new credit is that internal restructuring must follow the agendas of the international financial institutions.

Two-thirds of the World Bank's operations are linked to internal policy reforms, many of which shape the employee relations environment, such as pensions reform, labour code amendments and public sector restructuring and pay (EBRD, 2004; World Bank, 2004). Amendments to labour codes have been common throughout comparator central and eastern Europe countries. An analysis of labour codes throughout the region has suggested that former Yugoslav countries have 'relatively flexible regular employment legislation' but higher than average inflexibility with respect to temporary contracts (Micevska, 2004). All the former central and eastern Europe countries and those of the former Yugoslavia are estimated to have more 'restrictive' labour laws than is the case in the EU (Forteza and Rama, 2001). Within the neo-liberal imperative of the international financial institutions, it is not surprising that the liberalisation of labour codes has become an important point of pressure on transformation states (see Arandarenko, 2004). The government has ratified a series of ILO core conventions, but heavy restrictions remain on the trade union right to bargain, including the need to pass a qualification hurdle of fifteen per cent 'representativeness' and to obtain the signature of the enterprise director before they are recognised (twenty per cent in local government and the civil service).

Interestingly, the new Labour Law adopted in 2001 removed the exclusive bargaining rights of the Confederation of Trade Unions of Serbia (*SSS – Savez Sindikata Srbije*), which had operated 'officially' during the Milošević period, and opened the door for a pluralist system of representation. It can be seen from the above description of structural factors that the environment for trade unions could be expected to be difficult. Similar to most other transformation states, and despite the often conflictual objectives of the state, social dialogue between employers and unions has been a feature of change in Serbia and former Yugoslavia. The emerging identities of trade unions, and their impact on social dialogue processes, are examined next.

### **Agency: trade union ideologies and identities**

The role of labour within Serbia's recent history can be described as one in which class-based worker opposition to the Milošević regime has been deflected at key junctures by national chauvinism. During the late 1980s, popular opposition to the regime was fed by a combination of economic deprivation and the desire for political democracy. This general political feeling was reflected in a 'golden age' of strikes which were accepted within society as a legitimate expression of grievance (Arandarenko, 2001). Protest culminated in a demonstration in Belgrade in 1990, at which Milošević made a belligerent Serb nationalist speech, urging everyone 'to go back to work'. In effect, as one leading trade union activist observed, 'we came to the rally as workers



and left as Serbs.<sup>7</sup> The change in workers' mood following the rise of nationalism led Arandarenko (2001) to argue that the triumph of nationalism was a product of the weakness of Serbian labour which, he argues, was a particular legacy of collaborative self-management. In contrast, Stanojević (2003) offers an alternative explanation that the Serbian Socialist Party faction, led by Milošević, had played a nationalist card precisely because of labour's strength.

Nationalist divisions were certainly exacerbated by the ensuing wars of the following decade and many trade unions in the wider region accommodated themselves to nationalism and have continued to have 'ethnically' based membership in the post war years (see Đurić, 2002, for a general review of unions in the former Yugoslavia). Trade union leaders who did not abide by the nationalist creed in the 1990s were in danger, as evidenced by the dismissal of the President of the Union of Autonomous Unions of Croatia, who was purged in 1993 for daring to talk to his counterpart in the Serbian-based independent union *Nezavisnost* (Đurić, 2002).

During the period of war it is notable, however, that major industrial disputes continued to take place within Serbia. In the early period of the war, the number of strikes reduced significantly under the countervailing influence of nationalism, rapid inflation and unemployment (Marinković, 1995). From the middle of the decade, disputes began to increase. Examples were teachers, who went on strike in 1996, 1997 and 1998; electricity supply workers in 1993; the Belgrade transport workers in 1993 and 1998; and medical workers in Niš in 1998 (Marinković, 2001). Major strikes and street demonstrations took place in the winter of 1996/97 in Belgrade which, according to Nikolić (2002: 82-83), were significant for their focus on demands for political democracy, in contrast to the more national chauvinist demands to be heard in the demonstrations of 1991 and 1993.

By the end of the decade, under the impact of years of sanctions, the mood had changed to one of solid opposition to Milošević and his policies within the wider region. Workers' action was central to the final overthrow of the regime in October 2000, following the major strike by the 17 500 miners and electrical supply workers of the Kolubara complex, beginning in September (Marinković, 2003). In the immediate aftermath of the revolution, many disputes arose with the objective described by Marinković (2001) of tackling:

Freedom of organisation, elimination of harassment of trade union activists and fraud and robbery of the enterprise assets by management.

These particular disputes often involved demands for the dismissal of enterprise directors linked to the old regime. Many workers in formerly and remaining state-owned or socially-owned enterprises had also not been paid or had wage payments delayed. This latter grievance was the cause of many more sporadic wildcat disputes throughout Serbia in the period following October 2000. As well as these minor disputes over wage payments, more substantial disputes included a strike in the chemical and rubber industry at Tigar Pirot in December 2000, further disputes among teachers through to 2006 and a strike of workers in the state airline JAT in 2004/5.

7 Quoted in Đurić (2002).

## Union strategies

Challenges to the official union structure began in the 1990s when new independent unions (including the federation of *UGS Nezavisnost* and a smaller breakaway federation the Association of Free and Independent Trade Unions – ASNS) were formed in opposition to the Milošević Socialist Party regime. The official union federation from the Milošević period, the Confederation of Trade Unions of Serbia (SSS), dominated the scene in the Milošević period, was loyal to the ruling Socialist Party and has inherited the property (offices, real estate, etc.) from that time. Its leadership has also been in power for a long time, is both ageing and conservative and clearly has a vested interest in preserving the union's income and wealth (if only to guarantee the pensions of the leadership).

Faced with the new situation after the October 2000 revolution, SSS clearly needed to adapt and reform if it was not to be threatened by the rise of independent unions. The union changed its name and successfully applied for membership of the World Confederation of Labour (WCL). In policy terms, SSS initially opposed privatisation but has since changed its position to one of support, with the usual union caveat that the state should introduce welfare programmes to offset redundancies. There is little sign, however, of internal reform and, even though SSS has undertaken joint actions with *Nezavisnost* over the labour law, it has also called independent demonstrations which have had nationalist overtones. In October 2003, for example, SSS organised a protest march through Belgrade demanding early parliamentary elections and an end to the government-organised privatisation of state-run enterprises (Stojanović, 2003). The demonstration was attended by more than 4 000 people but the closing rally was addressed by representatives of Serbian extreme nationalist parties, including that founded by Arkan, the notorious (and since assassinated) Serbian warlord. There is a danger, therefore, that the strategy of SSS will continue to vacillate between class and nationalist identity. We can describe such a strategy as conditional opportunist, in which opposition to neo-liberalism is conditional on parallel support being given to authoritarian, reformed Communist politics and opportunist since the 'threat' of class conflict may be opportunistically diverted or contained by nationalism.

The period of civil war formed the backdrop to the formation of *UGS Nezavisnost* ('Independence') in 1991, which quickly began to challenge the SSS. *Nezavisnost* has adopted a deliberate strategy of autonomy from the state and independence from political parties. Its social root was identified with opposition both to war and nationalism and, since the war, it has maintained membership amongst minorities within Serbia, such as Hungarians in Vojvodina, as well as Croats and Albanians. From its foundation, *Nezavisnost* has fought a brave fight against a hostile regime and was actively involved in organising the rise in disputes towards the end of 1993 and the wave of anti-regime demonstrations in the winter of 1996/97 (Uvalic, 2005). Membership grew after 1995 until the revolution of October 2000, when membership peaked as *Nezavisnost* played a key role in organising against the old regime and its corrupt handling of the election results. The union supported the strike of the Kolubara miners against the opposition of SSS. (Marinković, 2003). It has sought allies amongst other opposition groups during this period, including the G17 Group (a political opposition group), various NGOs and the student-based movement *Otpor!* ('Resistance').<sup>8</sup> Opposing full merger or the creation of political parties, it has nevertheless sought to seek alliances with parties by signing agreements on limited policy

issues. The most significant of these agreements was the *Contract for a Democratic and Socially Just Serbia*, signed in May 2000 between *Nezavisnost* and nineteen opposition parties.

In effect, despite remaining independent of political parties, the union has developed a sophisticated political programme following internal debate. Political debate within the union had been spurred by the publication of various documents discussed at a series of education schools for union activists. Assistance in financing the schools was provided by the European Trade Union Confederation (ETUC) and the International Confederation of Free Trade Unions (ICFTU), to which the union is affiliated, as well as the American AFL-CIO. The process of politicisation culminated in the publication of a *Platform for a Way out of the Crisis* (*Nezavisnost*, 1999) and then a conference in January 2002 sponsored jointly with the ICFTU and the ETUC, after which a statement was issued containing, *inter alia*, the following points of significance:<sup>9</sup>

- a) the goal of EU membership
- b) the strengthening of social safety nets
- c) re-establishment of links with Serbia's neighbours
- d) formal mechanisms to establish 'genuine' social dialogue
- e) full consultation and negotiations with international financial institutions
- f) increased resourcing for vocational training (especially for women)
- g) the establishment of independent labour courts
- h) the establishment of a tripartite Public Enterprise Council to examine in detail the social and economic effects of each case of privatisation
- i) consideration of alternatives to privatisation, including reform and the commercialisation of public companies
- j) a progressive tax system to fund a social safety net.

Such a programme clearly goes 'beyond the workplace' in the issues it seeks to address and lends to the characterisation of *Nezavisnost* as a social movement-oriented union with a distinct oppositionist identity. Its independence from political parties and its reliance on industrial militancy gives the union a traditional syndicalist flavour, overlaid with a political programme that can be described as radical or left social democrat.

The third federation, the Association of Free and Independent Trade Unions (ASNS) is the smallest of the three federations and was formed by a breakaway from *Nezavisnost* as a means of forming a political wing allied to the Democratic Party. This was the party of the assassinated Prime Minister Zoran Đinđić and critics in that period described the ASNS as 'Đinđić's in-house union' (Đurić, 2002). Its leader, Dragan Milovanović, became Minister of Labour in the Đinđić-led government. In a notorious incident, Milovanović, whilst Minister of Labour, dismissed twelve *Nezavisnost* trade union activists from his tractor making company in New Belgrade.<sup>10</sup> The

8 *Otpor!* grew to have a network of branches throughout Serbia. One of its leaders later became a Government Minister. *Otpor!* has since formed its own political party.

9 Conclusions of international conference on *Trade Union Strategies in the Process of Economic Reform* (Belgrade, 24-25 January 2002), UGS *Nezavisnost*: Belgrade.

10 See: [www.icftu.org](http://www.icftu.org) (*Serbia and Montenegro: Annual Survey of Violations of Trade Union Rights 2004*).

ASNS has led a number of important disputes, but it has also adopted a strategy of formalised and permanent political activity linked to a political party.

The strategy of ASNS emphasises the potential dangers of co-option and incorporation of the union movement if it accommodates to the political and economic imperatives of neo-liberal market reform. The perils of this dual approach became apparent once the favoured political party was in power and it utilised its trade union base to demobilise workers and suppress rival union groups. Demobilisation of workers in this case was deemed necessary to remove obstacles to neo-liberal reform policies. As such, this strategy is even reminiscent of authoritarian corporatism, reflecting the state-sponsored and incorporated unionism typified by the Peronist example of Argentina (Valenzuela, 1992; Crouch, 1993). Similar examples of such an approach in central and eastern Europe have been noted in the cases of (the later) *Solidarność* in Poland (Ost, 2001) and *KOZ* in Slovakia (Stein, 2001). In October 2004, however, ASNS dropped its support for the Democratic Party and established its own party modelled on Britain's New Labour, called the Labour Party of Serbia. The ex-President of the union and ex-Labour Minister, Dragan Milovanović, was appointed as President of the new party.<sup>11</sup>

Outside of the main federations are a number of enterprise-based unions, most notably in the electricity supply industry. Some of these unions began life as collaborative 'in-house unions' in the Milošević period while others are newly-independent unions.

Union membership data in Serbia is unreliable as membership reports from the federations may be exaggerated (see Uvalic, 2005). An independent report estimated trade union density to be around 50 per cent in 1999 in Serbia (ISSA, 1999), but this is likely to have fallen slightly since. Density is high in the state sector at almost 70 per cent but in the private sector it is no higher than 6 per cent. In terms of the division of membership, an internal union estimate placed SSS in 2004 with between 280 000 and 380 000 members, *Nezavisnost* with 290 000, ASNS with 40 000 and as many as 100 000 in the various enterprise unions.<sup>12</sup> Some workers might be members of more than one union (Arandarenko, 2001: 172). In some major workplaces, such as US Steel, it is not uncommon to find a membership presence from all three federations, together with a degree of co-operation between the unions in their everyday dealings with the employer.<sup>13</sup>

However, such co-operation at the rank and file level is not necessarily replicated between the union leaderships. Particular rancour exists between the two independent federations and SSS over union property rights (offices, equipment, real estate, etc.), with all property from the pre-revolution period still being retained by SSS. The law on representativeness contained in the new Labour Law, requiring a 15 per cent trigger for union recognition, may help to encourage union co-operation at local level in order to achieve the necessary critical mass in individual enterprises. Similarly, the merger of the ICFTU and the WCL to form the International Trade Union Confederation in 2006 may smooth the way for further co-operation between SSS and *Nezavisnost*.

11 See: <http://www.asns.org.yu/english/labour-party.htm>.

12 Personal interview notes with union leaders.

13 Author's interview notes.

## Structure, agency and social dialogue

What has happened right across the region in practice has been the attempt to establish forms of dialogue between government, employers and unions within the general discourse of tripartism and social dialogue. Social dialogue and tripartism in the wider central and east European region has been well documented (Thirkell *et al*, 1995; Casale, 1999; Martin and Cristescu-Martin, 2001; Đurić, 2002; Kohl and Platzer, 2003; Mailand and Due, 2004) and it is not the intention here to catalogue the numerous initiatives. This process has included meetings between representatives of the ICFTU, its affiliates and the World Bank and the European Bank for Reconstruction and Development (Cambier, 2003). The prime consideration of many of the initiatives has been to fulfil conditions for accession to the EU, under what can be termed the 'Brussels Consensus' of future development in the wider European arena. Part of the process of the entry of transformation states into liberal democracy has also been the ratification of various ILO Conventions which, again, stipulate the development of social dialogue mechanisms.

However, there are other sources of desire for such social dialogue which are important and which need to be understood as a means of framing the context of trade union strategic options. Firstly, much leading opinion on the centre-left in opposition movements under the old regimes was fired by an alternative vision to the Communist command economy model. This vision appeared as a social democratic model of society based on the west European model, with labour oriented parties operating on a consensus basis with employers within a 'market democracy'. A strong intellectual current developed around this theme which crossed from academics to trade union leaders and political leaders (see Marković, 1996).<sup>14</sup> In terms of political economy, it strongly resembled conceptions of the social democratic 'Third Way' associated with Anthony Giddens (Golubović, 1996). Secondly, the turmoil of 1989 and after created a fear of social instability throughout the region and a desire to reconstruct society on a liberal democratic model. Social dialogue was considered the vehicle for social peace, through the development of incorporative political mechanisms, as a bulwark against the return of Communism, and as a possible guarantor of social justice (Marinković, 2004). External agents once again played a role in developing this approach, particularly US-based agencies such as USAID and the United States Institute of Peace (USIP, 2001). Social dialogue, in this instance, conforms to 'liberal corporatism' rather than the 'social democratic corporatism' previously described (Katzenstein, 1984). Thirdly, for the trade unions, social dialogue meant simply 'finding somebody to talk to' as a means to establish social legitimacy in order to bargain over collective issues. Ironically, this motive might correspond to that of governments which wish to talk to somebody about their reform plans in order to legitimise the political process. Ost (2000) observes:

...Tripartite agreements with unions helped bring social peace and stability at a low cost – lower than might have to have been paid when dealing with the worst societal losers, who

- 14 Strongly influential in this process were political organisations such as the Socialist International and social democratic research institutes such as the German-based Friedrich-Ebert-Stiftung.

tend to be rural and unemployed, or with new radical groups pretending to speak for such constituencies.

The rush to various forms of social dialogue in central and eastern Europe, the New Independent States and south-east Europe can be explained, but it is also the case that the outcomes for organised labour have generally been miserable. There is evidence of economic growth, but the benefits of this growth have rarely trickled downwards to labour (Martin and Cristescu-Martin, 2001). Some successful outcomes for unions can be discerned, such as resistance to adverse labour legislation, although these can generally be characterised as defensive successes that merely allow organised labour to cling to whatever they had rather than to advance their cause. This process is not difficult to explain for the reasons already outlined. Given the dominance of neo-liberal orthodoxy throughout the region, the power of the 'Brussels Consensus' is insufficient to overcome the imperative of capital, even in its post-Washington Consensus form. This is particularly so when the 'Brussels Consensus' is itself subject to the same debilitating effects of neo-liberalism.

The problem facing unions is how effectively to combat the obstacles facing them and to develop a strategy that can represent their interests *vis-à-vis* the dominant neo-liberalism. In particular, state and employer utilisation of neo-liberal reform programmes and the fragmentation and unwillingness of these actors to engage seriously with unions has led to what Ost (2000) describes as 'illusory corporatism' and which Pollert (2001) depicts as a 'fragile shell of tripartism'. Where unions have attempted to adopt a strategy based on a social democratic model of corporatism, such as in Hungary, they have been equally disappointed (Toth, 2001). Case studies of bipartite approaches of union-employer co-operation paint a similarly depressing picture for labour in Russia (Ashwin, 2004). Utilising Valenzuela's (1992) models of labour movements and political systems, we can note within the region similarities between central and eastern Europe and the 'state-sponsored' labour regime model which, in the case of Slovakia, has been characterised by Stein (2001) as 'Peronist Corporatism' and in the case of Poland by Ost (2001) as 'Unionocracy'.

In concrete terms, the key focus of dispute between unions and state in Serbia has been the implementation of the 2001 Labour Law and the associated rights to representation and to strike. The right to strike is recognised, although restricted for those in 'essential services' who must give at least 15 days warning of a strike. The new law also makes it much easier to dismiss workers, in line with efforts to remove labour market 'rigidities'. The 2001 law was constructed within a framework of social dialogue in so far as the trade union federations were informed of the nature of the new legislation in its draft form. However, both the main union federations, *Nezavisnost* and SSS, complained of ineffective consultation mechanisms and felt the need to resort to open protests and strikes against the law. Their suspicions were that both the World Bank and International Monetary Fund had been active in drafting changes to the proposed legislation before it was issued to the unions; when it was finally relayed to the unions by the labour minister, he claimed it as a 'very good law' because it would provide 'a friendly environment for investment'.<sup>15</sup> Slavko Luković, General

15 Quoted in interview with author by Slavko Luković, General Secretary of *UGS Nezavisnost*, June 2004.

Secretary of *Nezavisnost*, stated that the unions were not told of the World Bank's involvement officially, but learnt of the changes by 'visiting the Bank's website'.<sup>16</sup> Commenting favourably on the new Law, the European Bank for Reconstruction and Development stated:

The new labour law that came into force in December 2001 is very free-market oriented... The most important feature is that, in comparison with the previous labour legislation, the new law is more liberal regarding employment procedures and termination of employment, thus giving more flexibility to employers. It eliminated those features that were viewed as overly protective for workers and highly restrictive for managerial functions. (EBRD, 2004: 15).

The ILO also made 170 observations on the new law, of which less than ten per cent were accepted, further fuelling the suspicions and anxieties of the unions. The neo-liberal intent of the 2001 Labour Law, and the ineffectiveness from the union standpoint of the process of social dialogue, appears to have confirmed the weakness of social dialogue as a vehicle for progress for the unions. In May 2004, however, the new government made a move to strengthen the formal structures of social dialogue by introducing a draft law for a revamped Social and Economic Council to include representatives from the government, employer organisations and the three union federations. Key union demands are the removal of a clause in the existing law stipulating the need to gain the enterprise director's written approval before any claim for representativeness can be lodged.

Further evidence of the difficulties facing unions in the face of joint government/international financial institutional intransigence comes from the case of the health service, where International Monetary Fund conditionality has shaped labour relations considerably. A World Bank report in May 2004, for example, stated that, despite substantial labour market reform, economic problems are:

... exacerbated by the fact that wage costs as a percentage of GDP and as a percentage of consolidated budget expenditures are very high. Decompression is therefore possible only within the confines of the current wage bill. (World Bank, 2004d)

The meaning of 'decompression' was clarified in a Letter of Intent from the Serbian government to the IMF a week later, in which it stated:

To motivate health care workers and help retain them in the public sector, the wage structure for the health sector will be decompressed. In July 2004, wages for nurses and doctors will, on average, be increased by 7 per cent and 14 per cent respectively, in addition to the 7.5 per cent general pay raise during 2004 that is envisaged under the programme. With these added increases, the wage ratio between the highest grade (medical specialists) and the lowest grade (non-professional workers in the health sector) will increase from 3:1 to 3.5:1... **We will not implement a second wage increase for nurses and doctors currently envisaged for December, before consulting with Fund staff during the September programme review discussions. We will not change the method of setting the minimum wage before consulting with Fund staff** on its macroeconomic implications in the context of the September discus-

16 Author's interview notes, June 2004.



sions on the next programme review. The increase in the minimum wage on July 1 will not exceed the rate of inflation over the past 6 months.<sup>17</sup>

Such detailed action plans have been combined with a privatisation programme and the internal reform of the public sector, involving a redundancy programme designed to reduce overall wage costs.

### Self-management?

One interesting feature of the former Yugoslavia was the framework of enterprise self-management (S-M) established during the Tito period. It could be hypothesised in a path dependent framework that S-M would have left a footprint shaping industrial relations expectations in the transformation period (Tayeb, 1991; Mramor and Valentinčić, 2001). However, S-M, even during the Tito period, was criticised by leading dissidents for consolidating separate class interests within the enterprise (Đilas, 1983). Others have since pointed to the divide between the rhetoric and the reality of S-M in which the employee had very little influence over decision-making (Molnar, 1996; Madžar, 2000). The legacy of S-M is thus complicated and is clouded by negative associations with a failed economy.

Such conclusions have since been affirmed in a sample survey published in earlier work by the author. In a small sample of union activists and managers undertaken in 2003/2004, the author concluded that both trade union activists and management:

Would appear to have generally negative perceptions of S-M, with only 5 per cent of union activists and 11 per cent of managers agreeing that S-M would be 'useful for enterprises in Serbia today'.

In addition, two-thirds of the trade union activists disagreed with the statement that S-M was 'democratic', as opposed to just under half of the managers. The main reasons for the negative perceptions are highlighted in qualitative responses from the same survey which confirm that S-M is associated with the economic failures of the past and is viewed cynically by some workers (Upchurch, 2006b). In his report of the views of union activists from Serbia and Montenegro at a trade union school hosted by the ETUC in 2001, Watt (2001) draws similar conclusions. He remarks that:

For someone new to the Balkans, the prevailing cynicism about worker co-management was rather sobering...

The general ambivalence is further confirmed by comments from within the leadership of *UGS Nezavisnost*. General Secretary Slavko Luković, referring to the union's position towards the possible creation of works councils at enterprise level, states that the union neither supports nor rejects the creation of works councils. He argues instead that the union should always maintain its independence where works councils exist, primarily because:

17 *Letter of Intent, Memorandum of Economic and Financial Policies and Memorandum of Understanding*, Government of Serbia and Montenegro, 21 May 2004.

Works councils are associated negatively with the self-management of the past.<sup>18</sup>

Remaining ambivalent towards a works council route, the union has nevertheless kept the door open to partnership discourse with employers. Its industrial policy calls both for social dialogue at the national level and for:

An equal partnership with (managers) and trade unions, to resolve possible industrial disputes through negotiation and, on the whole, encourage workers to express their creative abilities and initiative, to encourage them to give the most in their work and to develop a sense of attachment to the company.<sup>19</sup>

Fritz (2000) argues that such a collaborative strategy is probably an illusory path for industrial reform within the harsh economic Serbian environment. Despite such reservations, the process of demanding dialogue in transformation states may not be directly comparable to similar demands in the west. For unions in central and eastern Europe and in the Balkans, the demand for dialogue with the state and employers is part of an emerging search for political legitimacy (Meardi, 2004) and is not easily placed within traditional corporatist frameworks applied in the west, where neo-corporatism was developed in different socio-economic conditions and within different state traditions (Crouch, 1993).

Quite tellingly, the Serbian experience is in direct contrast to that of Slovenia, where self-management also existed but where a system of works councils is now firmly established within the institutional framework. Arandarenko (2001) argues that the establishment of a works council system in Slovenia is a response by the state to labour's relative 'strength' in that part of the former Yugoslavia, whereby the state has since sought to buy social peace with the creation of strong institutional mechanisms of social dialogue. However, Slovenia was historically (and still is) the wealthiest region per capita of the former federation, and both state and employers have more room for manoeuvre and less need for a strategy of capital accumulation based on labour subordination than would be the case in Serbia. In the Slovenian case, institutional formation around the works council model was a strategic choice made possible to the ruling political elite. This gradualist option was possible because of the relative strength of the economy and was chosen to ensure societal consensus through labour incorporation (Šušteršič, 2000; Rojec *et al.*, 2004).

This contrasts with Serbia, where the political schism between Milošević and the popular opposition led to revolutionary calls for those factory bosses who supported the regime to be cleared out of the enterprises. Transformation thus began within a conflictual framework. The dependence of Serbian capitalism on foreign direct investment also makes the state more amenable to the agendas of multinational corporations, which may wish to engage labour on the basis of low cost and maximum management control of the labour process. Prospects for a consensus-based employee relations regime are therefore less likely than in the case of Slovenia.

18 Author's interview notes.

19 From *An Engineering Industry for the New Century*, Belgrade, *Nezavisnost* conference report 2000, available on [www.nezavisnost.org.yu](http://www.nezavisnost.org.yu).

Interestingly, in Montenegro, the Confederation of Independent Trade Unions of Montenegro (*SSSCG*) has taken a different course from both the Serbian and Slovenian examples, adopting a policy position of complete opposition to the works council route. This decision has been taken to maintain the independence of the trade union from employer and state, with the union federation opting for the British model of independent unionism in preference to the German one.<sup>20</sup>

## **Assessment?**

The Serbian economy faces particular difficulties in the post-war and post-revolution period. These difficulties are promulgated in economic terms by poor prospects for internally-generated capital accumulation and consequential heavy dependence on foreign direct investment to 'kick start' the economy. On the political front, there is continuing instability, made worse by the history of uncertainty over Montenegro and Kosovo, and slowness in tackling corruption, crime and the shadow economy. The state has little room for manoeuvre in its approach to trade unions, constrained as it is by the demands of the international financial institutions and the need to attract foreign direct investment in a competitive market. That there is no consistent offensive by labour against capital also reduces the need for social dialogue by the state and employers. Social dialogue, where it has been enacted, has so far proved a weak instrument for trade unions in pursuance of their objectives.

In addition, the development of unionism over the last two decades has been infected with nationalist diversions which need to be overcome if a strong, independent form of unionism is to emerge. In terms of the 'six strategies' for union renewal proffered by Frege and Kelly (2003), it must be recognised that, in the Serbian case, choices are severely constrained by structural factors. The example of *UGS Nezavisnost* shows that it is possible to adopt elements of the six strategies, but more pertinent is the political nature of the unions' task within a newly-emerging 'civil society'. In this respect, divergences between the unions' strategic choices are apparent on a wider front, reflecting both ideological divisions and alternative social identities.

These structural constraints are exacerbated by the commitment of all three union federations to the principle of privatisation as a necessary step in the reviving of a failed economy. The union room for manoeuvre is thus restricted by the primacy of the market. In reality, the 'precarious hegemonic constellation of embedded neo-liberalism' so graphically described by Bohle (2006) transcends the employer-worker divide. It is not surprising, therefore, that the unions are forced to adopt political profiles emphasising the need both for social dialogue and welfare programmes to aid the unemployed. Calls for social dialogue in this case reflect a perceived need to make demands on the state to temper the deleterious effects of the transformation to the market economy and the associated privatisation. The unions' anxiety to establish institutional frameworks of social dialogue echo a social democratic 'vision' of societal development based on the (faltering) west European model whereby the role of organised labour is legitimised with both the state and the employer.

At the same time, working in the background is the power and influence of the international financial institutions – the 'fourth actor' in the chemistry of transforma-

20 Author's interview notes.

tion. The post-Washington Consensus of international financial institutions, state and employer may favour institution building and dialogue as a route to social peace. However, the restrained ability of the unions to turn their associative power into structural power, and the continuing underlying commitment to the market as solution, currently negates the creation of any form of social democratic neo-corporatism. What is more likely is a weak transformation version of either liberal or authoritarian corporatism rather than any social democratic *nirvana*. The task for the unions remains not only to overcome fragmentation and ideological division but also to utilise their associative power to challenge the political and economic hegemony of the market.

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